BLOMINVEST BANK SAL

Your Investment Reference

THE LEBANON BRIEF

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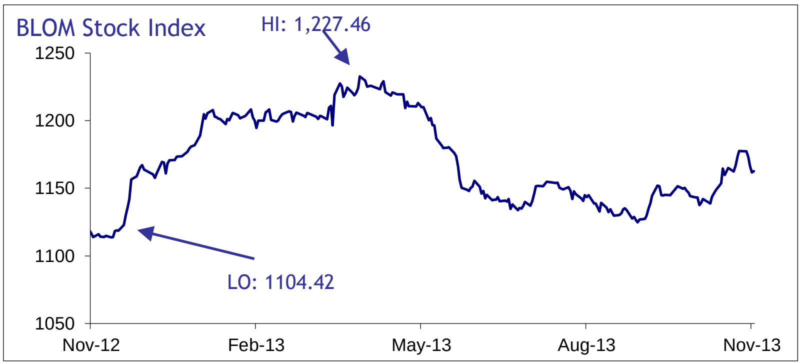
FINANCIAL MARKETS

Equity Market

Stock Market

	11/29/2013	11/21/2013	% Change
BLOM Stock Index*	1,160.66	1,162.53	-0.16%
Average Traded Volume	82,155	49,590	65.67%
Average Traded Value	904,517	628,632	43.89%

*22 January 1996 = 1000



Banking Sector

	Mkt	11/29/2013	11/21/2013	%Change
BLOM (GDR)	BSE	$8.80	$8.80	0.00%
BLOM Listed	BSE	$8.25	$8.25	0.00%
BLOM (GDR)	LSE	$8.85	$8.80	0.54%
Audi (GDR)	BSE	$6.73	$6.51	3.38%
Audi Listed	BSE	$6.29	$6.70	-6.12%
Audi (GDR)	LSE	$6.60	$6.74	-2.08%
Byblos (C)	BSE	$1.58	$1.55	1.94%
Byblos (GDR)	LSE	$71.00	$71.00	0.00%
Bank of Beirut (C)	BSE	$19.00	$19.00	0.00%
BLC (C)	BSE	$1.95	$1.95	0.00%
Fransabank (B)	OTC	$28.00	$28.00	0.00%
BEMO (C)	BSE	$1.84	$1.84	0.00%

	Mkt	11/29/2013	11/21/2013	% Change
Banks' Preferred Shares Index *		105.15	105.06	0.09%
BEMO Preferred 2006	BSE	$100.00	$100.50	-0.50%
Audi Pref. E	BSE	$102.50	$102.50	0.00%
Audi Pref. F	BSE	$102.50	$102.50	0.00%
Audi Pref. G	BSE	$100.00	$100.00	0.00%
Audi Pref. H	BSE	$100.00	$100.00	0.00%
Byblos Preferred 08	BSE	$100.50	$100.50	0.00%
Byblos Preferred 09	BSE	$101.00	$101.00	0.00%
Bank of Beirut Pref. E	BSE	$26.00	$26.00	0.00%
Bank of Beirut Pref. I	BSE	$26.00	$25.70	1.17%
Bank of Beirut Pref. H	BSE	$26.00	$26.00	0.00%
BLOM Preferred 2011	BSE	$10.17	$10.17	0.00%

* 25 August 2006 = 100

Investors showed negative sentiment towards the Lebanese stock market during the week, backed by a relatively instable political environment. Hence, The BLOM Stock Index (BSI) hovered between a lower band of 1,152 and an upper band of 1,162 points during the past week ending November 29, sliding 0.16% from its previous close on November 21, to settle at 1,160.66 points. 6 out of 16 traded stocks closed in the green, 3 stocks posted weekly losses while the remaining preserved their previous closing.

However, the Beirut Stock Exchange (BSE) ended the week on a negative note triggered by Audi listed stocks negative weekly performance. As a result, the BSI widened its year-to-date performance to a negative 0.72%. The average daily traded volume reached 82,155 shares worth $904,517, more than last week's volume of 49,590 shares amounting for $628,632. With respect to the market capitalization, it narrowed by $15.02M to $9.29B.

On a comparative scale, the BLOM Stock Index outpaced Morgan Stanley (MSCI) Emerging Index and the S&P AFE40 that declined by 0.74% and 0.26% to reach 1,012.02 points and 62.30 points, respectively. The S&P Pan Arab Composite LargeMidCap Index showed negative weekly performance as well, declining by a weekly 0.06% to 129.82 points, outperforming the BSI's performance.

Dubai bourse ranked first among Arab equities this week, showing a 2.08% progress. Bahrain and Jordan followed with respective increases of 1.29% and 0.67%. In contrast, the Egyptian stock exchange was the biggest loser with a 4.82% weekly loss.

Similar to previous week, the banking sector captured the bulk of trades with a market share of 52.99%. As for real estate stocks, they took 46.52% of the total, while the industrial sector contributed for the remaining 0.49%.

In the banking sector, Audi GDRs and Byblos common stocks showed positive performances as the former gained 3.38% to settle at $6.73, while the latter increased 1.94% to end the week at $1.58. However, Audi listed stocks edged down by 6.12% from last week's price to $6.29.

The BLOM Preferred Shares Index (BPSI) inched 0.09% up by Friday standing at 105.15 points boosted by the positive performance of Bank of Beirut's preferred shares class "I" by 1.17% to $26.00. In contrast, BEMO preferred 06 dropped 0.50% to $100.00.

Real Estate

	Mkt	11/29/2013	11/21/2013	% Change
Solidere (A)	BSE	$11.34	$11.24	0.89%
Solidere (B)	BSE	$11.44	$11.22	1.96%
Solidere (GDR)	LSE	$11.25	$11.30	-0.44%

On the London Stock Exchange, BLOM GDRs added 0.54% to reach $8.85. In contrast, the GDR shares of Solidere and Audi declined by 0.44% and 2.08% to reach $11.25 and $6.60, respectively.

Real Estate shares positively impacted the BSE's activity this week as Solidere A ended the week 0.89% higher at $11.34, while its B counterpart rose by a weekly 1.96% to settle at $11.44.

Manufacturing Sector

	Mkt	11/29/2013	11/21/2013	% Change
HOLCIM Liban	BSE	$14.48	$13.28	9.04%
Ciments Blancs (B)	BSE	$2.90	$3.23	-10.22%
Ciments Blancs (N)	BSE	$3.24	$3.24	0.00%

The manufacturing sector posted mixed performance during the week revealing Holcim shares weekly 9.04% rebound from last week's 11.5% tumble. In this context, HOLCIM shares went up from $13.28 to end the week at $14.48. Ste Ciments Blancs class "B" shares were traded on Monday at a 6-month low of $2.90, 10.22% lower than last week.

Funds

	Mkt	11/29/2013	11/21/2013	% Change
BLOM Cedars Balanced Fund Tranche "A"	-----	$6,950.57	$6,909.71	0.59%
BLOM Cedars Balanced Fund Tranche "B"	-----	$5,042.91	$5,011.86	0.62%
BLOM Cedars Balanced Fund Tranche "C"	-----	$5,279.00	$5,247.97	0.59%
BLOM Bond Fund	-----	$9,555.80	$9,555.80	0.00%

Looking forward, the BSE is likely to maintain the current trend, however tilted towards a positive sentiment from investors following the recent accord on Iran's nuclear weapons, and the upcoming festivities during the month of December.

Retail Sector

	Mkt	11/29/2013	11/21/2013	% Change
RYMCO	BSE	$3.50	$3.50	0.00%
ABC (New)	OTC	$33.00	$33.00	0.00%

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Tourism Sector

	Mkt	11/29/2013	11/21/2013	% Change
Casino Du Liban	OTC	$470.00	$470.00	0.00%
SGHL	OTC	$7.00	$7.00	0.00%

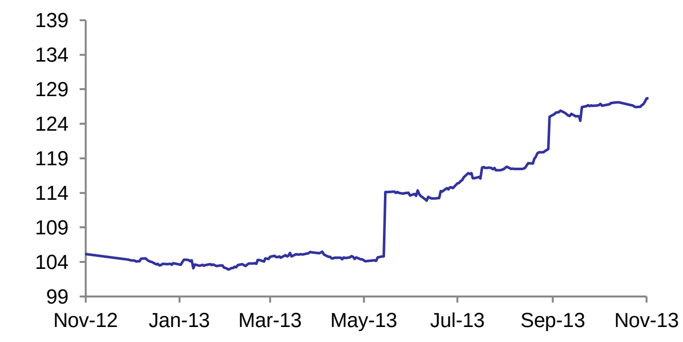
Foreign Exchange Market

Lebanese Forex Market

	11/29/2013	11/21/2013	% Change
Dollar / LP	1,505.00	1,507.00	-0.13%
Euro / LP	2,051.41	2,030.15	1.05%
Swiss Franc / LP	1,665.19	1,648.62	1.01%
Yen / LP	14.74	14.96	-1.47%
Sterling / LP	2,460.69	2,431.45	1.20%
NEER Index**	133.16	128.50	3.63%

*Close of GMT 09:00+2
**Nominal Effective Exchange Rate; Base Year Jan 2006=100
**The unadjusted weighted average value of a country's currency relative to all major currencies being traded within a pool of currencies.

Nominal Effective Exchange Rate (NEER)



Demand for the US dollar slightly slid over the past week as the range at which banks exchanged the currency went from $/LP 1,505 -$/LP 1,509, with a mid-price of $/LP1, 507 to $/LP 1,503- $/LP 1,507 with a mid-price of $/LP 1,505. Foreign assets (excluding gold) at the Central Bank stood at $35.63B as of end October compared to $35.74B as of end September. Meanwhile, the dollarization rate of private sector deposits steadied at 65.7% in September.

The euro advanced against the dollar this week after a report showed that inflation in the Eurozone accelerated more than economists had expected this month. The results soothed investors' worries of a potential deflation scenario, which would put downward pressure on the currency. The inflation results also indicate that the European Central Bank will likely put further stimulus on hold for the time being.

By Friday November 29th, 2013, 12:30 pm Beirut time, the euro closed at €/$ 1.36 up by a weekly 1.05%. As for the dollar-pegged LP, it depreciated to €/LP 2,051.41 from €/LP 2,030.15 recorded on November 21st. The Nominal effective exchange rate (NEER) rose by 3.63% over the cited period to 133.16 points, while its year-to-date performance stood at 28.27%.

Money & Treasury Bills Market

Money Market Rates

	11/29/2013	11/21/2013	% Change
Overnight Interbank	2.75	2.75	0
BDL 45-day¤CD	3.57	3.57	0
BDL 60-day CD	3.85	3.85	0

Treasury Yields

	11/29/2013	11/21/2013	% Change
3-M TB yield	4.39%	4.39%	0
6-M TB yield	4.87%	4.87%	0
12-M TB yield	5.08%	5.08%	0
24-M TB coupon	5.84%	5.84%	0
36-M TB coupon	6.50%	6.50%	0
60-M TB coupon	6.74%	6.74%	0

During the week ending 14th of November, broad Money M3 decreased by LP131B ($87M), to reach LP 164,481B ($109.11B). M3 growth rate reached 6.30% on a year-on-year basis and 4.15% from end of December 2012. As for M1, it fell by LP134B ($89M) due to the downturns of LP112B ($74M) in currency in circulation and LP22B ($15M) in demand deposits. Total deposits (excluding demand deposits) grew by LP3B ($2M), given the LP110B rise in term and saving deposits in domestic currency and the $71M decrease in deposits denominated in foreign currencies. Over the above mentioned period, the broad money dollarization rate edged down from a previous 59.07% to reach 59.05%. According to the Central Bank, the overnight interbank rate stood at 2.75% at the end of September 2013.

In the TBs auction held on November 21th, the Ministry of Finance raised LP101B ($67M) through the issuance of 3 months (3M), 6M and 5Y Treasury Bills. The highest demand was witnessed on the 3M bills, capturing 56% of total subscriptions, while the 6M bills and 5Y notes captured respective shares of 39% and 5%. The average discount rate for the 3M and 6M bills respectively stood at 4.39% and 4.87% while the coupon rate for the 5Y notes registered 6.74%. New subscriptions exceeded maturing T-bills by LP32B ($21M).

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Eurobond Market

Eurobonds Index and Yield

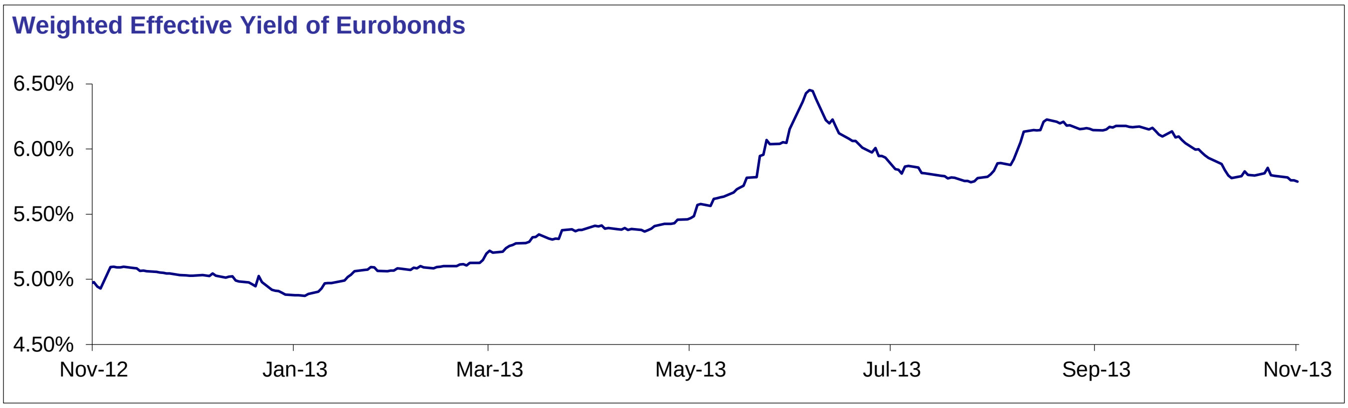
	11/28/2013	11/20/2013	Change	Year to Date
BLOM Bond Index (BBI)*	105.463	105.456	0.01%	-3.30%
Weighted Yield**	5.73%	5.75%	-2	71
Weighted Spread***	447	446	1	17

*Base Year 2000 = 100; includes US$ sovereign bonds traded on the OTC market
** The change is in basis points ***Against US Treasuries (in basis points)

Lebanese Government Eurobonds

Maturity - Coupon	11/28/2013 Price*	11/20/2013 Price*	Weekly Change%	11/28/2013 Yield	11/20/2013 Yield	Weekly Change bps
2014, Apr - 7.375%	101.20	101.23	-0.03%	4.13%	4.23%	-10
2014, May - 9.000%	102.06	102.12	-0.05%	4.07%	4.19%	-12
2015, Jan - 5.875%	101.42	101.43	-0.01%	4.57%	4.59%	-1
2015, Aug - 8.500%	106.25	106.31	-0.05%	4.60%	4.62%	-2
2016, Jan - 8.500%	107.48	107.51	-0.04%	4.78%	4.80%	-2
2016, May - 11.625%	115.36	115.41	-0.05%	4.90%	4.93%	-3
2017, Mar - 9.000%	111.35	111.35	0.00%	5.22%	5.24%	-2
2018, Jun - 5.150%	99.41	99.41	0.00%	5.30%	5.30%	0
2020, Mar - 6.375%	101.15	101.08	0.07%	6.15%	6.16%	-1
2021, Apr - 8.250%	111.28	111.14	0.13%	6.31%	6.34%	-3
2022, Oct - 6.100%	97.06	97.12	-0.06%	6.54%	6.53%	1
2023, Jan - 6.00%	96.07	96.14	-0.08%	6.58%	6.56%	1
2024, Dec - 7.000%	101.98	101.99	-0.01%	6.74%	6.74%	0
2026, Nov - 6.600%	98.21	98.25	-0.04%	6.81%	6.80%	1
2027, Nov - 6.75%	98.29	98.36	-0.07%	6.94%	6.93%	1

*Bloomberg Data



Slow Activity characterized the Lebanese Eurobonds market this week as investors took a wait and see approach following negotiations over Iran's nuclear deal and its repercussions, both locally and regionally. The BLOM bond index (BBI) steadied at 105.46 points, barely inching 0.01% up with its year-to-date negative performance stabilizing at 3.30%. Furthermore, the BBI outperformed the JP Morgan emerging markets' bond index that lost 0.16% to 624.22 points. As for the 5Y yield on the Lebanese Eurobonds, it remained subdued at 5.30%, while 10Y yield increased by 2 basis points (bps) to reach 6.58%.

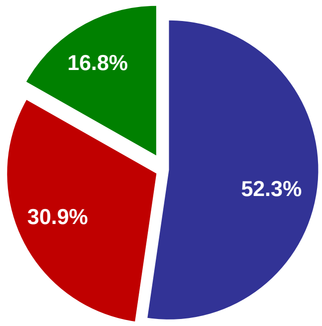
In the U.S, the same scenario recurred this week as expectations that next week's positive job report data will accelerate the Fed's tapering decision as soon as December. However, Treasuries showed a weekly gain after a solid-bid auction of $35B in 5Y notes earlier this week. Accordingly, 5Y and 10Y Treasury yields went down by 3 bps and 6 bps to 1.36% and 2.74%, respectively. The 5Y and 10Y spreads between the Lebanese Eurobonds and U.S benchmarks broadened by 3 bps and 8 bps to stand at 394 bps and 384 bps, respectively.

Lebanon's credit default swap for 5 years (CDS) slightly widened to 395-425bps from 392-422 bps last week. The 5Y spread between the Lebanese Eurobonds and their U.S benchmark compared well to the 5Y Lebanese CDS as the progress in U.S Treasuries wasn't mirrored by the Lebanese Eurobonds that remained stable, widening the spread between the two instruments. In regional economies, Dubai's CDS narrowed by a weekly average of 10 bps to close at 210-220 bps, while CDS quotes in Saudi Arabia hovered around last week's level at 58-62 bps. Moving to emerging markets, risk premiums for Brazil and Turkey were last trading at 203-207 bps and 206-210bps respectively.

ECONOMIC AND FINANCIAL NEWS

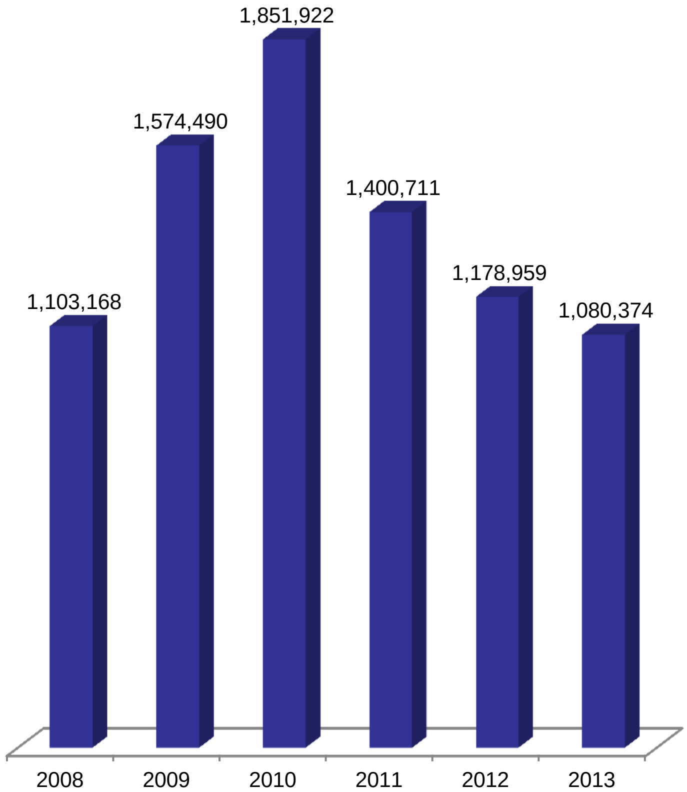
Domestic Currency Debt by Type of Holder

By the End of September



Source: ABL

Number of Tourists Up to October



Source: Ministry of Tourism

Gross Public Debt Touched $62.39B in September

The Lebanese gross public debt reached $62.39B by the end of September 2013, increasing by 11.2% y-o-y and by 8.2% on a year-to-date basis, according to the Association of Lebanese Banks (ABL) publication. The debt-to-GDP ratio stood at 148.0% at the end of September compared to 133.0% during the same period last year. The local currency share of total debt in September equaled that of December 2012 at 57.7%. The latter edged up 8.1% since year start to reach $35.98B, recording an 8.3% y-o-y growth. Foreign currency (FC) debt, which accounted for the remaining 42.3% of total gross debt, rose by 8.3% y-t-d and 15.5% y-o-y to stand at $26.41B. On a month-ago basis, debt in foreign currencies slightly added 0.6%, while that in Lebanese pounds inched up by 5.0%. The Net Public Debt, which excludes the public sector deposits at the Commercial banks and BdL, stood at $52.15B as of the end of September, increasing by 8.9% y-o-y and by 6.2% from end of December 2012. The Lebanese banks held 52.3% of the domestic currency debt; BdL detained 30.9% of the total while the 16.8% remaining were the non-banking system share.

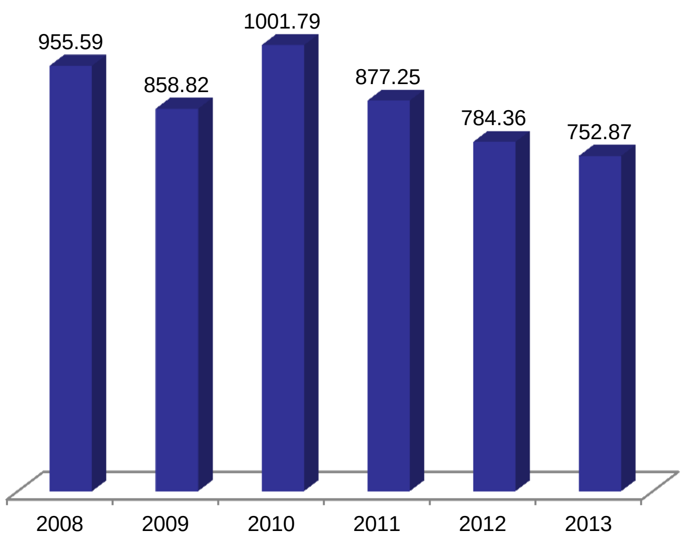
Tourists 'Number Drops 8.4% y-o-y by October 2013

The number of tourists decreased by October 2013 to 1.08M tourists, down by 8.4% from the same period in 2012 and 22.9% from 2011, according to the Ministry of Tourism. The tourism market kept on suffering the spillovers of the Syrian war as well as the ongoing domestic deadlock. In this context, African tourists' were the only incomers to show an increase in their number by 6.4% y-o-y to reach 53,463 by October 2013. In contrast, Europeans, that accounted for the bulk of tourists (34.4%) during the first ten months of 2013, slipped by an annualized 3.3% to stand at 371,856. French made up 27.0% of the group, while German, British and Turkish represented 14.4%, 11.1% and 5.7%, respectively. Arab arrivals fell 14.6% y-o-y to reach 338,522, noting that they represented 31.3% of total tourists' number. 35.0% came from Iraq, 19.8% from Jordan and 15.4% from Egypt. Tourists from America came in the third place with 179,335 tourists of which 49.3% from the United States, 34.2% from Canada, and a similar share of 6.4% from Brazil and Venezuela. As for incomers from Asian countries, they constituted 9.1% of the total and declined by an annual 9.3%.

In the month of October alone, the number of tourists added 11.2% from October 2012 to 102,994 incomers. On a month-ago basis, the number of tourists in October jumped 19.34% from 86,301 tourists recorded in September this year, mainly due to the surge in the incomers' number from Arab countries like Iraq and Jordan. Worth mentioning that October witnessed noticeable growth in tourists number arriving from the GCC countries nationals' especially UAE, Kuwait and Saudi Arabia.

Average area per transaction

Up to October (In sqm/permit)



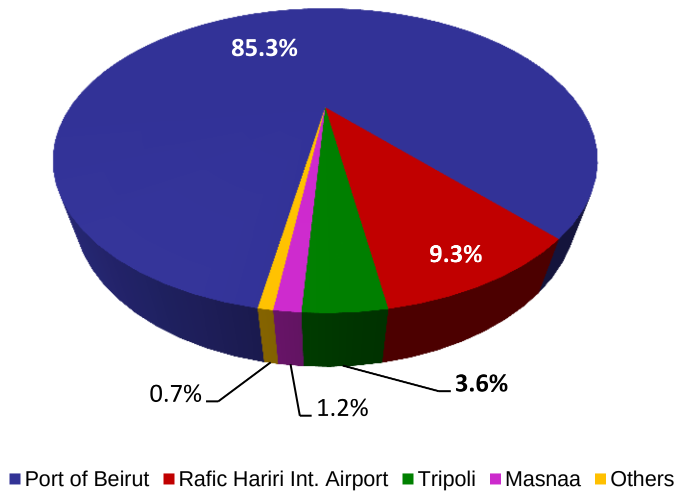
Source: Order of Engineers in Beirut and the North

Number of Construction Permits Drops 6.9% y-o-y up to October

According to the latest data released by the Order of Engineers in Beirut and the North, construction activity kept on retreating by October 2013 with number of issued permits declining by 6.9% y-o-y to 14,215. The following decline reflects a dwindling investment sentiment earlier this year amid a domestic political standstill and a neighboring ongoing war in Syria. Worth highlighting that permits are usually issued at least six months after applications are filed. Accordingly, the total construction area authorized by permits was down by 10.6% in the first ten months of 2013 to 10.70M sqm, from last year's 11.97M sqm. Worth noting that the average area per permit has decreased by 4.0% to 752.87 sqm/permit in the first ten months of 2013, showing that developers are still interested in smaller plots of land for their new projects.

In October alone, construction permits tumbled by 15.8% annually to 1,418 whereas total construction area authorized by permits contracted 3.3% y-o-y to 1.11M sqm. Regarding the regional distribution, Mount Lebanon captured 45.1% of the permits issued in October 2013, followed by the South of Lebanon and Nabatiyeh with respective shares of 16.6% and 12.1%. North Lebanon and Bekaa region took around 10.6% and 10.5% of total permits each, while the capital Beirut took up only 5.0% of total permits.

Customs Offices Revenues Distribution Up to September

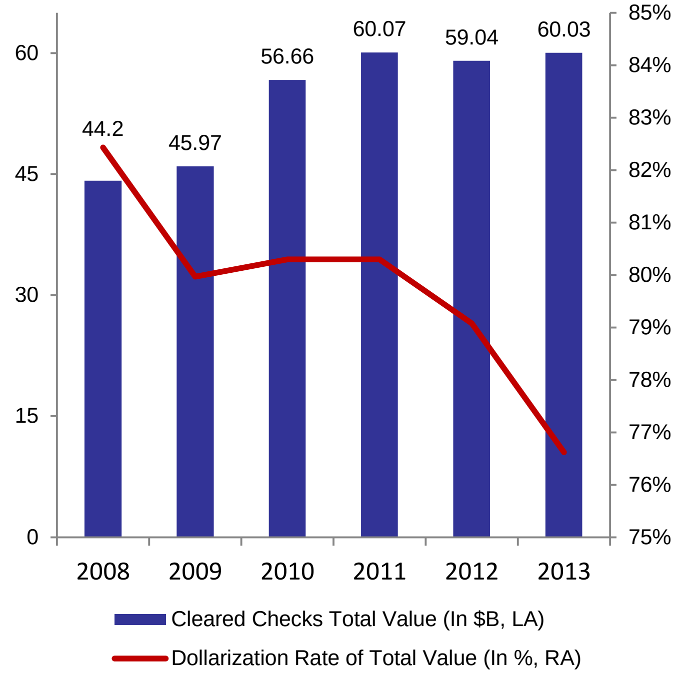


Source: The Lebanese Customs

Total Revenues at Customs Slid to $2.18B by September 2013

Lebanon's proximity to the Syrian war keeps on hindering land shipping activity, thus affecting customs offices revenues. In fact, total revenues at customs (Customs and VAT revenues) decreased 4.1% y-o-y by September 2013 to reach $2.18B compared to $2.28B collected last year. Customs fee revenues totaled $1.13B down by 3.3% from the first nine months of 2012. As for Value Added Tax (VAT) receipts, they dropped by 4.8% y-o-y to $1.06B, according to data released by the Lebanese Customs. As for Customs offices revenues distribution, the Port of Beirut (PoB) discharged the largest share of imports accounting for 85.3% or $1.86B of customs offices total revenues. Rafic Hariri International Airport (RHIA) and Tripoli seaport followed with respective shares of 9.3% and 3.6% of total shipped goods up to September 2013. Worth mentioning that the customs office of RHIA was the only one which posted a yearly increase in total revenues by 9.3%, while PoB, Tripoli and Masnaa's customs revenues respectively dropped by 2.3%, 0.7% and 67.2% from September 2012.

Checks Activity up to October



Source: ABL

Cleared Checks Value Hits $60.03B by October 2013

Checks activity maintained the upward trend this year conversely to the other economic indicators. The number of checks cleared by Banque du Liban rose by 1.7% during the first ten months of 2013 to reach 11.03M worth $60.03B compared to a total of 10.84M checks valued at $59.04B registered a year earlier. Both volume and value of checks denominated in foreign currencies preserved their dominance by October 2013, representing 70.6% and 76.6% of the total respectively. However, both of them edged down by respective 0.9% and 1.5% y-o-y to 7.78M checks and $46.00B. Accordingly, the dollarization rate of checks' value slipped to 76.62% compared to 79.08% recorded by October 2012. The aforementioned decrease in the dollarization rate shows an increasing role of the national currency despite the persistent dominance of checks denominated in foreign currencies. Worth noting that the rate of defaults which is the number of returned checks from the total number of checks, declined to 2.03%, from 2.15% in the same period last year, while the default rate for the value of checks increased to 2.33%, from 2.15% by October last year. For the month of October alone, the value of cleared checks reached $6.21B, increasing by 2.1% from October 2012. Finally, the value of checks denominated in foreign currencies decreased by 0.7% y-o-y in October to reach $4.70B, while that of checks denominated in Lebanese pounds jumped by a yearly 12.1% in October 2013 to stand at $1.52B.

CORPORATE DEVELOPMENTS

Components of Lebanon's New NPS

SYSTEM	PURPOSE	Date
Real Time Gross Settlement System (BDL-RTGS)	Reliable, real time method of payment that adheres to international standards	2012
Retail Payment & Clearing System (BDL-CLEAR)	Clearing Facilities for retail payment instruments	2013
Payment System for Government Transactions (BDL-PAYGOV)	Facilitate Government Payments	By the end of 2013

Source: Banque du Liban

BDL Launched a Retail Payment System: BDL-Clear

Banque du Liban (BDL) launched an automated retail payment system "BDL-Clear" as part of its strategy to develop payment systems in Lebanon in line with international standards. BDL-Clear will facilitate the payment of retail banking transactions and allow commercial banks to exchange data. The platform will be used to clear several types of payment instruments such as Cheques, Credit Transfer, Cards (at ATMs and Points of Sales) as well as Direct Debit operations like bills' domiciliation. The BDL predefined the system's operating time schedule from Monday to Saturday at specific working hours. Worth noting that BDL-Clear is one of the three components of Lebanon New National Payment System (NPS): BDL-RTGS, BDL-CLEAR and BDL-PAYGOV. The New NPS aims efficiency in the employment of financial resources, faster circulation of money as well as more accurate monetary data. Under the new system, many improvements were made such as the centralization of clearing houses in Beirut instead of the six regional clearing houses.

Selected Solar Power Projects in Lebanon

Project	Cost	Funded By
Solar Power Station for Batroun Port	$250,000	Spain through the United Nations Development Program
Beirut River Solar Snake	$40B	Ministry of Energy and Water
Implementation of 500 Solar Waterheaters in South Lebanon	$112,500	Chinese Government
Solar Collectors	$700,000	Greek Government

Source: Lebanese Center for Energy Conservation (LCEC), CEDRO-UNDP

Berytech Launches SHAAMS Project

Berytech recently launched SHAAMS initiative in cooperation with the Business Incubation Association in Tripoli (BIAT) and the Chamber of Commerce, Industry and Agriculture of Beirut. The project is funded by the European Union and 12 regional partners (comprising Spain, Italy, and Greece). More specifically, the project is set to widen public awareness on solar energy in order to simplify the adoption of solar technologies. Worth noting that solar power outpaces other energy resources in term of cost-effectiveness as it reduces power bills from unpredicted increases in the prices of non-renewable energies like oil or natural gas. In detail, solar based solutions consist on the absorption of power through solar panels from the sunlight and turning it to electricity.

FOCUS IN BRIEF

Pharmaceuticals & Healthcare in Lebanon: An Overview

Healthcare Sector

	2009	2010	2011	2012	2013f	2014f	2015f	2016f	2017f
Health Expenditure ($B)	2.48	2.44	2.65	2.84	3.08	3.34	3.65	4.01	4.46
Government Health Expenditure	0.98	0.66	0.68	0.66	0.68	0.72	0.77	0.83	0.91
Private Health Expenditure ($B)	1.51	1.78	1.98	2.18	2.39	2.62	2.88	3.18	3.55
Health Expenditure per Capita ($US)	584.4	561.6	592.3	612	638	672.7	721.6	7090.4	884.3
Health Expenditure (% of GDP)	7.2	6.2	6.8	6.6	6.8	6.8	6.7	6.6	6.5

Pharmaceutical Sector

	2009	2010	2011	2012	2013f	2014f	2015f	2016f	2017f
Pharmaceutical Sales ($B)	1.05	1.15	1.24	1.3	1.37	1.46	1.56	1.66	1.79
Pharmaceutical Sales per Capita ($US)	246.78	265.35	276.94	279.91	283.67	294.59	308.08	327.98	354.9
Pharmaceutical Sales (%of GDP)	3.04	2.93	3.17	3.02	3.02	2.99	2.88	2.75	2.59
Pharmaceutical Sales (%of Health Expenditure)	42.23	47.25	46.76	45.73	47.57	48.17	47.71	47.14	45.31

Source: Business Monitor International, Pharmaceuticals and Healthcare Report, Q1 2014

The World Health Organization (WHO) states that “the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being...". Indeed, the issue of equitable access to healthcare always has been and still is prevalent in socio-political debates all over the world. However, opinions are divided when it comes to choosing the most cost-efficient and unbiased healthcare scheme. A vivid example is Obama’s healthcare law which recently sparked a feud between republicans and democrats and even led to a full government shutdown. Given the proven importance of the broad theme that is health, the following report details the particularities of the Lebanese healthcare and pharmaceutical sectors.

In Lebanon, the improvement of both health and economic indicators paved the way for a higher Human Development Index (HDI). The UNDP which constructs this index for 187 countries positioned Lebanon at the 72nd spot in 2012. From 2005 to 2012, the country’s HDI value increased by 4% from 0.714 to 0.745, also equivalent to an average annual increase of approximately 0.6%. This progress was made possible due to the continuous rise of life expectancy at birth and the Gross National Income, from 71.5 years and $12,452 in 2005 to 72.8 years and $12,364 in 2012. The World Bank reports a life expectancy of 80 in 2011 versus 74 in other upper middle income countries and 71 for the MENA region.

The biggest part of the investment in human capital, particularly through health expenditures, is handled by the private sector in Lebanon, similarly to the system in the United States and unlike that of France. 76.7% of total health expenditures were ensured by the private sector (including the National Social Security Fund NSSF as it receives its contributions from private sector employers and employees) in 2012, a share likely to increase to 77.7% in 2013. Although the government subsidizes private medical bills and covers the bills of patients with no private or public insurance, the Ministry of Public Health (MoPH)‘s spending remained below that of the private sector. While the MoPH’s health expenditures accounted for 39.3% of total health expenditures in 2009, this share has steadily decreased to reach 23.3% in 2012 and is expected to slide further down to 22.3% in 2013.

Lebanon has several fragmented stakeholders in its healthcare sector such as the National Social Security Fund (NSSF), the Civil Servants’ Cooperative (CSC), the schemes for security forces and the Ministry of Public Health (MoPH) acting as an insurer of last resort and funded by the government’s budget. The NSSF mainly covers private-sector employees and contractual public sector employees by counting on the contributions deducted from their salaries, the CSC handles regular government functionaries and their families while the four schemes related to security forces (army, internal security forces, general security and state security) cover uniformed staff members and their dependents and are funded by tax revenues.

The NSSF has been suffering from a deficit in the health coverage fund for several years, especially after decrees voted in 2001 lowered medical insurance from 15% of the salary (12% paid by the employer and 3% by the employee) to 9% (7% paid by the employer and 2% by the employee). The latest figure, going back to 2011, indicates a substantial shortage of $543M in the funds dedicated to health coverage and family allowance payments. More specifically, 54% of this deficit stems from scarcity in the healthcare fund.

Nonetheless, the NSSF has been able to finance the deficit by delving into the surplus of the end-of-service indemnities fund. The latter managed to record a surplus since the new entrants to the labor market still exceeded the number of retirees, which ensures a steady flow of contributions and compensates for the lack of resources in the NSSF's two other funds. On the short-medium term the NSSF's financial status remains sustainable especially since the birth rate per 1,000 people is still elevated, at 15.35 in 2010.

Unfortunately, the longer haul holds more strains on the NSSF's resources due to an ever increasing ageing population and a shrinking young-active population, a demographic change that will put downward pressure on contributions. According to the latest United Nations World Population Prospects, the share of individuals aged between 15 and 59 in total population is estimated at 67% in 2013 but is seen to drop to 52.8% in 2050 while the share of individuals aged 80 and above is expected to increase from 1.5% in 2013 to 8.1% in 2050.

Although the NSSF has made progress in terms of its operational efficiency, it still has a long way to go in terms of improving its human resource management, automating its procedures and exercising tighter controls. On a positive note, while only 25% of filed forms were fully completed in 2008 this share rose to 69% in 2011. On the downside, the number of complaints against the NSSF has steadily increased from 402 in 2006 to 579 in 2012 and the Syndicate of Hospitals in Lebanon recently reported that the NSSF is 36 months behind in auditing hospital bills. The persistent delays in the handling of requests and shortage of staff have sparked recent protests, staged at the NSSF's headquarters.

Since the public sector is not endowed with the proper means to offer health care, the provision of this fundamental right has been ensured by the private sector. In its latest statistics going back to 2011, The Ministry of Public Health (MoPH) shows that in all of the country's governorates the number of public hospitals (who have contracts with the Ministry) is dismal when compared to private hospitals. The biggest gap was registered in the governorate of Mount Lebanon in which only 5 public hospitals are present as compared to 56 private hospitals.

Moreover, according to the latest data released by the Syndicate of Hospitals in Lebanon in October, the number of beds in short-stay hospitals in all governorates totaled 11,902, out of which 10,214 are present in private hospitals. On the upside, the number of beds is distributed equally across governorates depending on the density of each one. Nevertheless, regional disparity is shown by the distribution of healthcare workers across the country as two-thirds of the total are located in Beirut and Mount Lebanon.

However, being the main healthcare provider in Lebanon brings its own set of daunting challenges. During the month of July, the Syndicate of Hospitals in Lebanon called on the government to pay back its dues estimated at $796M up to 2013 in order for the hospitals to meet their requirements in terms of employees' salaries as well as the supply of drugs and medical equipments. Despite the MoPH and the NSSF increasing their payments for overnight stays at the hospital from LBP35,000 to LBP90,000 the cost burden remains heavy on private hospitals. Recently, the Syndicate of Hospitals reported that the daily cost of energy per patient stands at $34.34, excluding bed costs, sterilization products, salaries of nurses and the administrative body as well as the drugs and requirements that don't cost more than $20.

There is no better time than now for the public and private sectors to join hands, as the Syrian influx comes to add pressure to an already precarious healthcare system. A survey conducted by Medecins Sans Frontieres in February 2013, concluded that 50% of Syrian refugees have restricted access to healthcare and that 33% of them are unable to pursue their treatment due to elevated medical costs. Aside from Lebanon's inability to meet this additional demand for healthcare services, the country is exposed to higher risks of communicable disease spreading especially amidst the poor sanitary conditions in which the refugees live. Other host-countries are undergoing the same pressure, as the United Nations High Commissioner for Refugees (UNHCR) reported that healthcare systems in the entire Gulf Levant region are suffering from the Syrian crisis' negative impact.

In its latest report entitled "Lebanon: Economic and Social Impact Assessment of the Syrian Conflict", the World Bank concludes that the influx of Syrian refugees is increasing the unpaid commitments of the MoPH to contracted hospitals, leading to shortages in health workers and fueling the spread of communicable diseases. As 40% of primary healthcare visits in December 2012 alone were for Syrian refugees, the primary healthcare system in Lebanon is clearly overstretched. This sudden increase in demand for health services also pushed up costs and generated medication shortages for Lebanese. In August 2012, the costs of medicine are estimated to have increased by 5% in the Bekaa and by 34% in the North. The overall fiscal impact has been valued at $39M in 2013 and $48-69M in 2014. Looking ahead, delays in meeting the refugees' needs will lift overall levels of morbidity and cost of care on the Lebanese population.

Apparently, the strenuous operating conditions had a larger than expected impact on the public provision of health expenditures. While Business Monitor International (BMI) expected the government's health expenditures to reach $1.25B in 2012, they registered an actual level of $0.66B and the private sector's health expenditures reached $2.18B compared to an expected $1.90B. With the ongoing political stalemate in the country, translated by the limited legislative power held by the caretaker cabinet, tackling the issues of healthcare reform, meeting financial obligations due to the private sector and addressing the repercussions of the Syrian crisis are all left pending. Moreover, the violence caused by repeated security clashes and incidents will exercise further pressure on the private hospitals' budget, especially when they administer care for unprivileged individuals. This will undeniably result in a widening gap between the public and private healthcare provisions, as confirmed by BMI's 2013 forecast. While the healthcare gap was valued at $1.52B in 2012, it will likely increase to $1.71B in 2013.

Given all of the above mentioned hurdles, it comes as no surprise that primary care in Lebanon still operates below potential. Thus, patients are constantly referred to private hospitals where doctors recommend the more costly prescription drugs instead of generic drugs. In fact, the latter are less expensive than the former since generic manufacturers don't have to incur the costs of research and development, marketing and patent protection.

Seeking a more cost-efficient access to medicine should be regarded as a top priority, especially since BMI projects pharmaceutical per capita spending, one of the highest in the Gulf Levant region, to increase from $280 in 2012 to $355 by 2017.

One can then ask the following, very legitimate, question: Why is the use of cost-effective generic drugs so rare in a country where obtaining the basic right of health is not as easy as it should be? The answer to this question lies in what the World Health Organization dubs lack of "gate keeping" for medical practice. In other words, controls over doctors' fees and prescriptions are not very disciplined in Lebanon, and the heavy promotion of prescription drugs practically alienates the presence of generic drugs. The prescribing habits of doctors can also be explained by the fact that physicians are not willing to take the risk of offering a counterfeit drug especially since Lebanon was included in PhRMA's Special 301 Report for both 2012 and 2013 for below-standards domestic intellectual property protection.

As of February 2012, the MoPH decided to slash the prices of generic medicine by 30% but in spite of this measure prescription drug expenditures reached $951M in 2012, the equivalent of 73.1% of the total market by value, a share likely to rise to 76.1% by 2022. BMI believes the prevalence of prescription drugs will be sustained in the future, with a total market value of $1.34B by 2017, growing at a compounded annual growth rate (CAGR) of 7.0%.

The regulatory framework also plays a major role in ensuring more awareness towards generic medicine consumption. Also in February 2012, the MoPH revoked import approvals for prescription drugs in order to exercise more control over the entry of pharmaceuticals in the country. However, importers worked around the revocation through a regulatory loophole, an indicator that highlights the need for additional tuning in pharmaceutical governance.

The efficiency of the regulatory framework is tightly linked to Lebanon's socio-political background. However, the latter has been rattled with security incidents, political feuds and the country has been under the rule of a caretaker cabinet for the past eight months. In April, caretaker health minister Ali Hassan Khalil announced that prior to the resignation of the prime Minister the government had already laid the grounds for the foundation of the central laboratory, designed to control the quality of pharmaceutical products. Like several other issues, this one is left pending. Hence, drug analysis and quality control are requested from developed countries such as the US and Europe.

Not only does Lebanon import drug-control but its pharmaceutical market is also flooded with multinational products. Lebanese drug companies don't have the necessary resources to build a trustworthy marketing image to sell consumers and also suffer from parallel import. The latter allows companies that are not registered as official agents to bring in pharmaceutical products into Lebanon, a practice which challenges the price of locally made products. With the local pharmaceutical companies having limited manufacturing activities, the industry is reliant on imports and meets only a marginal part of foreign demand. According to Lebanese Customs, imports reached $420M up to August 2007 while exports totaled $7M.

In order to reduce health spending and render it more efficient, it would be of utmost importance for both the private and public sectors to develop the notion of preventive care. This concept has gained importance in advanced countries over the last two decades but remains underdeveloped in Lebanon. Relying on preventive healthcare will considerably reduce the hospital care bill, will ensure the early diagnosis of disease and will allow better treatment.

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